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Organization and men

New York

1921

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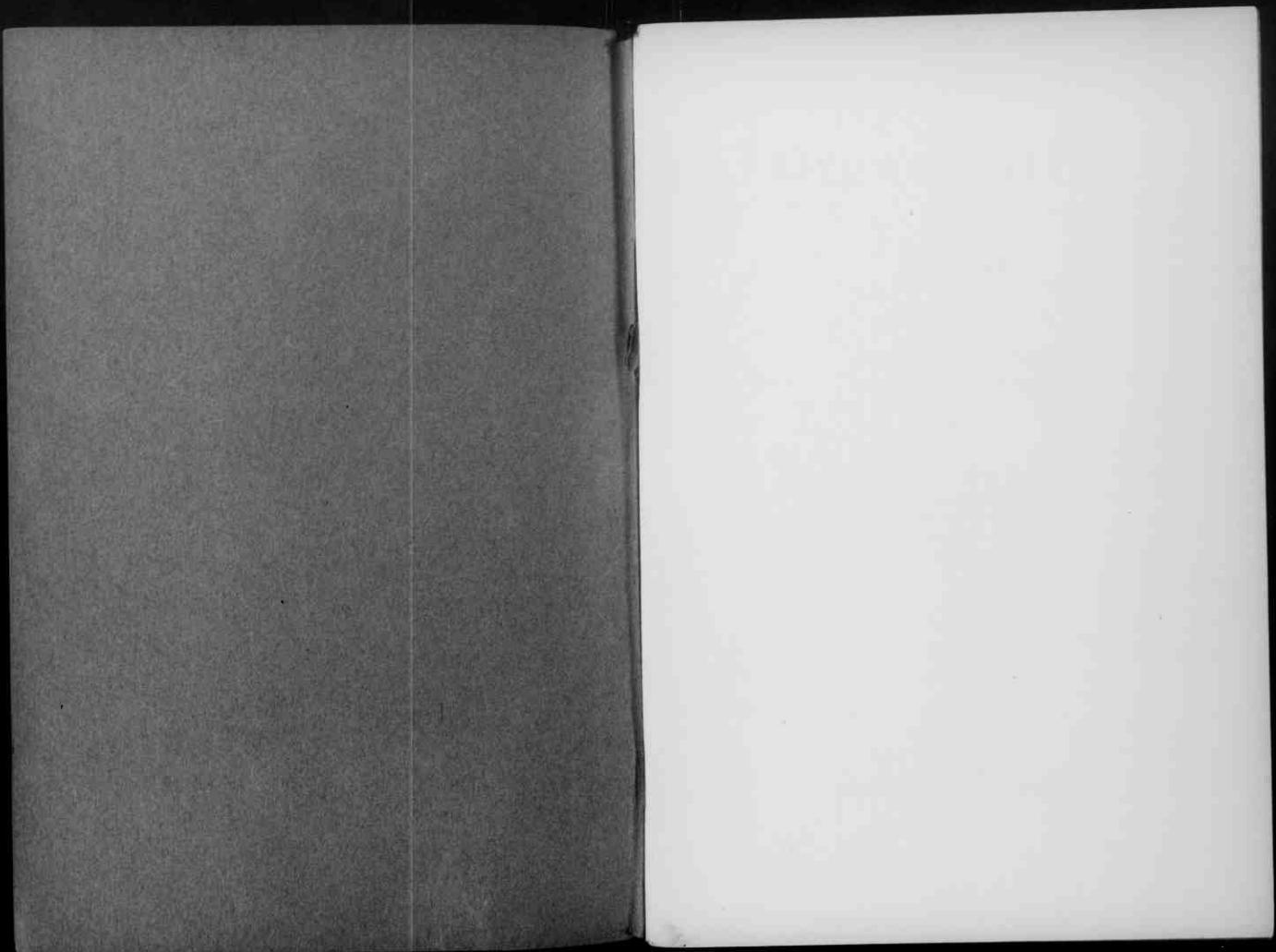
By

EARL C. SAMS

President J. C. Penney Company

2

Address delivered at the St. Louis,
St. Paul, Portland and Salt Lake City
Conventions of the J. C. PENNEY
COMPANY, September and October,
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by
J. C. PENNEY COMPANY

CJB October 24, 1922.
A.L.

To
ROGER W. BABSON

*in appreciation
of his distinguished
services as a student of
Fundamental Business
Conditions.*

Organization and Men

I.

Our Organization

GENTLEMEN, with your permission, I will spend a few minutes in telling you about the beginning of our business. That is, I will try to tell you about some of the earlier experiences of our Company, showing how our business has progressed from its inception to the time when we were incorporated.

The Kemmerer store, as you know, was opened by the Founder of this Organization in 1902. You have heard him tell many times of those early years. You have read many of the interesting articles he has written about the sacrifices he made, in order that you and I might be a part of this Organization today.

The story of my own personal experiences does not go back quite so far as the beginning. But I vividly recall the autumn of 1907 when I took up my duties at the Kemmerer store. At that time Mr. Penney was a one-third owner, with Mr. Johnson and Mr. Callahan, in the Kemmerer store. He

also was a one-third owner in a store at Cumberland and part owner in a store at Rock Springs. This was the extent of Mr. Penney's interest in October, 1907.

Shortly after that time, he sold his interest in the Rock Springs store to his partner, at the same time securing full ownership of the Kemmerer and Cumberland stores.

The morning of October 1, 1907, was cold and crisp. That was the morning when I entered upon my activities in the Kemmerer store, and I noticed, as I walked to the store, that one could write his name in the frost on the broad sidewalks. I need not dwell on the impressions I received at that time, because I feel that every one of you has gone through a similar experience and, therefore, you know the feeling of anticipation that I experienced. I was met, as I entered the store, by a young man with black eyes and black hair who, though he has been able to retain the black eyes, has since that time lost most of the hair. He directed me to go to work and I did. It was not long before there were plenty of customers to wait on and I found much to do.

Time passed quickly and, in the spring of 1908, we went to Cumberland, Wyoming. Our little store there, as most of you know, was about a mile from town. The town itself was controlled by the coal company and no outside interests were permitted to enter. It was necessary, therefore, that we go outside of the corporate limits in order to do business. Our little store was about twenty-five by forty feet, but had rooms at the back. In these

we lived. Modern conveniences were entirely wanting; indeed, we had to haul our water from a creek about half a mile away. Most of the time it was so muddy that we had to let the water stand in the barrel until it became clear enough for us to drink.

Prior to my coming to Cumberland Mr. Neighbors, who was my predecessor there, had been sent to Preston and Mr. Mudd, who is the man with the black eyes and hair I have just referred to, had been sent to Bingham Canyon. Here they received their first interest in stores.

We spent a year in Cumberland. Some of you may think from my description of the town that it was a great sacrifice for us to live there. Gentlemen, I want to tell you that we never thought of it as a sacrifice; and when we went there to begin business and to make our home, we had no idea how long we were going to stay. Nor would it have made any difference if we had known. This business was then in the process of making. We had no promises and no intimation as to how long it might take us to work out our future or, rather, to help work it out. We lived in two little rooms and my wife has said to me, many, many times since, that the year we spent in Cumberland was one of the happiest of our lives. The old saying, There is more pleasure to travel hopefully than to arrive, is as true as Gospel. We were living in anticipation of the future. We had Faith. We hoped for better things. I might tell you that our salary for that year was \$1,500, that means for our combined services. Out of the \$1,500 which represented our

year's pay, we saved just a little under \$1,000. We were trying to save for our future. Therefore, we denied ourselves a good many things that we wanted. And we did it, hoping that some time we should be better able to afford what our desires called for.

At the end of our year in Cumberland, we were sent to Eureka, Utah, where we received our first interest in a store. At that time, the firm names were J. C. Penney in Kemmerer and Cumberland; Neighbors and Penney in Preston; Mudd and Penney in Bingham Canyon; and Sams and Penney in Eureka. The stores were, in fact, a group of partnerships. Others came into the business and, from time to time, new stores were started thus creating other partnerships. And so we grew from year to year.



II.

Why We Changed from a Partnership to a Corporation

During the year 1912 it became apparent that, if we wished to take advantage of the consolidated credit to which our business entitled us, it would be necessary for us to formulate a plan that would permit of our pooling our interests so that the combined assets of all would support any obligation which we might make as a whole. In other words, we thought it well to incorporate our Organization and to have one governing body over all our individual interests. We hesitated to do this for a long time, because it seemed almost impossible to work out a plan that would permit of our retaining the partnership idea and yet enjoying the advantages of incorporation. However, after careful thought, the plan was worked out and we incorporated in the spring of 1913 under the name of the J. C. Penney Company.

Now, I have explained to you why it was necessary for us to incorporate and I want, as best I can, to explain to you the kind of corporation we are. I want every one of you to understand exactly the kind of proposition you have entered into, so that you may know all about this Organization, both how it is constructed and how it is conducted; in fact all there is to know. There is nothing about this business, known to the Directors, that may not be revealed to its every stockholder. There are absolutely no secrets and if, after I have explained our corporate formation as best I can, any questions occur to you, I want you to feel free to ask them.

For my part, I will do the best I can to answer them satisfactorily. Therefore, note the following facts:

1. This Corporation is known as the J. C. Penney Company.
2. The names of those who now hold stock in this Organization are too numerous to mention, but every man who has a stock certificate is a stockholder.
3. We are incorporated under the laws of the State of Utah and our main office is at Salt Lake City.
4. The Corporation is created to exist for a period of one hundred years, unless sooner dissolved by law.
5. The private property of the stockholders of this Corporation is not liable for any obligations or bad debts of the Corporation, in any manner or to any extent whatever.
6. The principal place of business of the Company is Salt Lake City. The Board of Directors may establish branch offices and places of business anywhere in the United States.
7. We are incorporated to deal in all kinds of merchandise; to lease, let, deed and acquire property; to purchase and dispose of notes, bonds and mortgages; to own stock in other corporations and to conduct business in as many branches as we see fit. In fact, our privileges are so many that we may carry on almost any kind of business we desire.

8. The amount of our capitalization has been changed, from time to time, as need demanded. At the present time we have an authorized Common stock of \$5,000,000, of which there has been issued and sold \$3,626,000; and we have an authorized Preferred stock of \$10,000,000, of which there has been issued and sold \$3,000,000. So our issued Capital stock, as you see, is the total of the outstanding Common stock plus the outstanding Preferred stock or \$6,626,000.

The Preferred stock has, as the name indicates, preference over the Common stock. That is to say, in case of liquidation, those holding the Preferred stock are to be paid first; then the Common stockholders follow.

The Preferred stock is seven per cent. cumulative. And cumulative means that, if we should pass a dividend on the Preferred stock, we are obligated to pay it, at some future time, out of the earnings of the Company set aside for that purpose. In short, no Preferred dividends may be permanently passed, for they are an obligation of the Company to be paid when earned and ahead of any other stock dividend.

Preferred stock is non-assessable for the obligations of the Company. The assets of all classifications of Common stock are assessable for the obligations of the Company and, as you know, the Directors have levied a certain assessment annually for the maintenance of the different operating offices.

Now, at the time this Preferred stock was issued and sold, certain agreements were entered into between the Company and those who purchased the Preferred stock. As those agreements may not be entirely clear to the Common stockholders, I will explain them. One of the most important agreements we made with our Preferred stock purchasers was that we would not declare dividends on the outstanding Common stock unless the earnings of the previous year were at least three times the amount of the interest on the outstanding Preferred stock. That means simply this: We have \$3,000,000 outstanding Preferred stock and the interest on it, at seven per cent. is \$210,000 a year. Three times \$210,000 is \$630,000. That is the amount we must earn, in any year, before we can declare a Common stock dividend. We have further agreed with our Preferred stockholders to retire every year three per cent. of the total amount of Preferred stock or \$150,000. This has been done. It is also specified between us and our Preferred stockholders that, when we wish to buy in or retire the Preferred stock, we shall be privileged to do so at the lowest possible rates but not to exceed \$105 per share. So you see, at any time we desire to do so, we are privileged to offer our Preferred stockholders \$105 for every \$100 worth of stock they hold and, by agreement, they must sell to us.

9. We also agreed, with those who bought this \$3,000,000 of our Preferred stock, that we would issue no more of the authorized \$10,000,000 unless the earnings for the preceding year amount to at

least three times the annual dividend on the Preferred stock outstanding plus that proposed to be issued.

10. Now we come to Article 10, which specifies the manner in which we shall dispose of our Common stock, should we so desire. Subscriptions for the ownership of J. C. Penney Company Common stock are taken upon the condition that, if the purchaser and holder thereof desires to sell the same, he shall first deliver his stock to the Board of Directors. The Board of Directors shall fix the selling price of said stock by computing its value with reference to the books of the Company. In other words, the value of the stock is just what the books of our Company indicate it to be. In no case is Good Will taken into account. After the value of the stock has been computed, the Board of Directors must then offer this stock for sale to the co-owners of this same class of stock. They are allowed thirty days in which to exercise their option. In case the co-owners of this class of stock (that is, Common stock) do not desire to purchase it, then the Board of Directors may offer it to anyone else. If it is not sold within thirty days, the holder of the stock shall be free to offer it for sale to anyone that he may desire.

I trust the reasons for this particular manner of making disposition of our Common stock are clear to you. We have a splendid Organization. Everyone in it is active and anxious to promote it. And we hope to see our stock remain in the hands of those who are active, rather than to have it become the property of those who are inactive.

III.

The New Man's Opportunities

At this point I want to say something about the opportunities a man has who comes into our Organization. I want to emphasize, as best I know how, the advantages that a man begins immediately to enjoy who becomes a part of this Organization. In my judgment, a man is remunerated many times over for any sacrifices he may make, or think he makes, in coming to us. I do not believe that any man, coming into our Organization, no matter how much knowledge and experience he may have, can hope to bring into the Organization anywhere nearly the degree of value and worth that he receives from the Organization after he becomes a part of it.

Have you ever stopped to think what enormous benefits we confer upon the man who comes to us and advances into a Manager's position? If you will stop a moment to consider what active partnership in this Organization means, you will see that we confer upon the new man an unusual benefit. The new man who comes into our Company, now nearly twenty years old, joins an Organization that has accumulated the benefits of wide experience, that has built itself upon a solid financial basis, that has established lines of commercial association with the best types of business houses, that has extended its chain from the North to the South of our country and from the West to the East, that has grown from a gross annual business of less than \$30,000 for the first year to \$50,000,000 today. I want to tell you that the new man who comes with

us today is the recipient of great privileges. His own experience may have been considerable and he may have been in business long enough to learn retail merchandising well; but it would be impossible for any man to bring into this Organization anything whatsoever that is commensurate with the rights, benefits, privileges and opportunities that we bestow upon him, the moment he joins our forces. Therefore, I want to emphasize the fact that we are right to demand the finest type of men on whom to bestow the privileges of association with us.

Organization offers a man infinitely more than he can command from within himself. It multiplies his arms and hands and fingers, so to speak. Certainly, it augments the mental area of his work. Not all men are equally endowed. Some men are natural financiers, others are born buyers, still others are organizers, and some have the gift for accounting.

Now, all of these operations are absolutely essential in the conduct of business. It is impossible for any one man to have all these attributes and, therefore, a one man business must necessarily be weak in some one of these particulars. But in an Organization it is possible to include the natural financier, the gifted buyer, the skilled organizer, the expert accountant and all other men of creative genius whose purpose and power foresee and plan for the future.

Therefore, a man who has the privilege of joining a company like ours connects himself immediately with a highly efficient and closely articu-

lated group of men, everyone gifted in his own line.

As I said in the beginning, these skillful and gifted men augment the man himself, for the Organization places at every man's disposal the benefits of the expert knowledge and service of every other man in it.

Men, let us make it our personal ambition to measure up to the type worthy of association with this great Organization. Let us, in training men, train them into this worthiness. Let us, in looking to the future, see not only a greater Organization and a greater business but ourselves correspondingly greater in ability to have vision to do the day's job, to train men and, finally, to represent adequately this Nation-wide Institution which bestows richly its benefits and opportunities upon its associates.



IV.

Our Capital Stock Accounts

When a new store is opened a certain amount of Capital stock is set up for the purpose of carrying on the business of that particular store. In other words, every store is supposed to have sufficient capital to carry on its business. Many of you know that in the past there have been violations of this rule. Sometimes the Capital stock has been insufficient and, at other times, the Manager of a particular store has failed to live up to the requirements. But that does not change the fundamental principle, which is that every store must have capital sufficient to carry on the business operations which it represents.

Since the issuance of our Preferred stock we have made it a rule that, when a certain amount of Common stock is set up for a store, there shall go with this Common stock its quota of Preferred. This, at the present time, is forty per cent. The understanding is that, when any new classification earns a sufficient amount or has added to its surplus more than it needs for the carrying on of that particular store, such amount can be declared in the form of a dividend to the co-owners of that stock.

Now those of you, who have accumulated a lot of money and have quite a lot of cash on hand today, must not confuse Preferred stock money with Common stock money. In other words, before you can arrive at how much money you have for your own individual use, you must first subtract from your Common stock capital and surplus that

amount which is Preferred capital. Therefore, before you can start a new store, you must have accumulated Common stock capital enough to capitalize the proposed new store.

Of course you know that before we can start a branch store with the earnings of any particular store, we must have money in excess of the needs of that particular store. In other words, we cannot reduce our inventory in the last few months of the year and take out all the cash on hand. We must figure that there must be capital and surplus, that there must be enough operating capital in a store to do a volume of business of say five times the amount of this operating capital. In other words, we figure that it would not be conservative for us to try to operate a business with less capital than one-fifth of the amount of the volume of business we expect to do annually. Another way to figure it is this: A turnover of five is a big turnover. We have stores, it is true, that do better than this, and we have some that do not do so well. And while our average turnover is not so great as this, I think we are fair in calculating on the basis of a turnover of five.



V.

Future Plans

Now I know you are all interested in learning something of the prospects for the immediate future. I know that you are all anxious to start new stores just as soon as you can, and I assure you that no one is more anxious than the members of the Board of Directors to see started every new store which we have the money to open and the men to manage.

In the first place, we opened approximately one hundred new stores in the spring of 1920. I need not tell you in detail for I am sure that most of you know that these hundred new stores did not prove to be very successful. In other words we opened them at an inopportune time, with the result that some of these hundred new stores are going to retard the progress of their mother stores until such time as they get in position to finance themselves. Let me illustrate what I mean.

I will take a store in which I am financially interested. This particular store has on hand today something like \$35,000 in cash. After deducting from this its Preferred stock quota, it will have on hand approximately \$20,000. This store is the mother store of one of those started in 1920. The child store is, so to speak, "in bad," and at the end of this year, so we have every reason to believe, will be using practically all of the available cash the mother store has on hand. This being the case, we figure that this mother store cannot start another branch until its latest child is able to keep itself.

Now to get back again to our plans for the immediate future, I am sure that it is the wish of every man who is a part of this Organization to go ahead and expand the business as fast as it can be expanded and still be operated along conservative and consistent lines. In other words the slogan is LET'S GO.

We are planning to open just as many new stores this next year as we can get money together to finance. It is a wise procedure, I am sure, and one that every prospective Manager will endorse, to wait until after our next inventory and then, instead of estimating our profits and available cash, we shall have in hand the concrete thing.

So, immediately following our next inventory, we are hoping to see a goodly number of our stores in position to start branch stores. I assure you that those who are ready with men and money will be permitted and encouraged to go ahead.

You see, then, that our plans have not changed one iota. Our desire and determination—to build this business to 1,000 stores doing an annual business of hundreds of millions—is stronger today than ever before. It is true, we are going through a period where the sledding is hard. We are still in the midst of that period and to say the least it tends toward discouragement. But, men, the pendulum swings from one side to the other. If we throw a ball up it comes down. If we eat more than our share at dinner we must expect to go a little short at supper time.

During the period of the war and the year or two following, we enjoyed an unusual degree of

prosperity. Relatively speaking, business came easy. Without unusual effort on our part, we accomplished the things we were after. Now the dam that held the reservoir has broken. We find ourselves in the stream. By concerted action we must begin piling the stones to rebuild the dam so that we shall again have power for the degree of momentum our purposes call for.

I believe that the pendulum has now about reached the extreme end of its swing. It will soon start back the other way. Good times are ahead. Let us capitalize our experience now, while the going is hard, and be ready for that period of prosperity that is just as sure to follow as day is sure to follow night.

Prosperous times are ahead of us, men, that's sure. Let us not be discouraged. Let us try to live the life of the child who, when one Christmas has passed, begins to look forward with great anticipation to the next and gets pleasure much more out of the anticipation than the realization.

There is another thing that I want to talk about just for a minute in connection with new stores, and that is the kind of towns we select.

I have never favored cities. I do not believe that we are organized to do business in the larger cities. I do not believe that we, as individuals, have been trained to do business in the larger cities. I do not believe that, when we get into the larger cities, we can train our men properly to manage the kind of stores that we should have there. The medium sized towns are the towns that have made

money for us, and they are the kind of towns that will continue to make us successful.

There is another thing, men, to which we must give careful attention. It is the fitting of square pegs into square holes and round pegs into round holes. I mean by this that one man, because of his peculiar and particular experience, is fitted to do business in a certain kind of a town, while another man with another kind of experience is not. We want to weigh this thing well, because it is to the advantage not of any one man but of every one concerned to weigh it. If my experience has come to me from a small town, from community where I have been dealing with the farmers, I am best fitted, when I arrive at the point of starting a new store, to go into that kind of town. And the same rule applies everywhere. This is a matter that should be given the most careful consideration, because it has a great deal to do with the progress and success of this Organization.



VI.

Promises to a New Man

At this point I want to make clear, if I can, just what the opportunity is for the young man who comes into this Organization. There has been some misunderstanding and I suspect that we sometimes are to some extent to blame for this misunderstanding. But if there was ever a promise made to any man who came into this Organization, it was made in violation of the fundamental principle of the Founder. No man has ever been promised anything definite. Now the opportunity that a man has who comes into one of our stores is, in as brief a way as I can put it, simply this: It is an opportunity to aid that branch, to which he may be assigned, in the making of money, with the understanding that the available profits of the said branch are to be used in the capitalization of another store in which this new man shall be afforded an opportunity to demonstrate his managerial ability or to become a stockholder.

We have some men in our Organization who, for the past year, have been a little disturbed because such and such a thing has not happened. We are indeed sorry that we could not go ahead with the expansion proposed a year ago. We wish that we could open stores much faster, but we cannot do the impossible. We offer to a young man the best opportunity that I know of anywhere in the United States; but we have got to produce, we have got to put in before we can take out.

I know of a man in our Organization, and the chances are you men know of others, who says that

he has not been treated fairly. I am going to relate this man's experience in order to illustrate the point that I am trying to make.

He came into this Organization about four years ago with the same understanding with which every other young man has entered. He was told that, if he would go to a certain store, he would find there the opportunity to demonstrate to us his ability. We hoped he would be able some time, in the not far distant future, to manage that store and later to share in the new stores that would be opened from the profits. He went to this particular store; he worked at a slightly less salary than he might have been able to command elsewhere. His salary was increased from time to time to an amount that, I believe, was equal to what he could have earned anywhere. In that period of a year or so, he thought that the Manager of the store was not treating him "just right," was not giving him so much information about the general operations of the business as he thought he should receive; he felt that his efforts were not appreciated, in short, that he was not getting along so well as he should. He asked to be transferred.

The Manager of the first store said that the young man was fairly good but that he, personally, was not able to get along with the young man because he was not putting into the business what he should. We thought it might be a case of incompatibility; so a transfer was arranged and the young man was sent to one of the new stores where another type of man was Manager. This arrangement went on for a couple of years and the second

Manager did not get along with the new man. But this second Manager took a reasonable point of view and said: I will do the best I can; he was sent here to me and probably our failure to work well together is my fault. Thus, it continued for a couple of years, and the new man became dissatisfied again and said that he could not get along with his Manager.

To my way of thinking, there is only one way to dispose of that man, and that is, to let him go. He has had two opportunities and in neither did he make good. But today that man feels that he has been imposed upon by the J. C. Penney Company. I claim that he has not been imposed upon. I claim that he has had full opportunity to show what he could do, full opportunity to co-operate with the manager of this Organization. I claim that he never put anything into this Organization, and therefore he is not entitled to take anything out.

Men, I want to caution you to make it clear to every man who comes into your employ just what kind of opportunity you have for him. Don't promise him anything. Of course, you can tell him about the success of others; it is only fair and right that you should. Tell him that his opportunity is the same as any other man's, that if he comes to you and helps you to make money your plan is to reinvest the money, and that he can share in the reinvestment.

Again I say, be careful what you say to your men. Don't make promises to them, but tell them plainly what our plan is. Then there will be less disappointment than there has been.

VII.

Business Conditions

So much for conditions in general. Now let me take up the matter of business as it is today.

Business in some localities is falling off. Conditions over which we have no control cause this. To say the least, this is not a satisfying situation. I am sure there is no Manager who, doing less business this year than he did last year, is satisfied with the result.

With the falling off of business, the first thing we want to think about is operating expenses. It seems that, when business is on the increase, the operating expense automatically takes care of itself. As our business gets bigger it seems that overhead just comes along gradually with it. But with decreased business, I want to tell you, it takes effort and judgment to make a relative reduction in operating expenses.

I realize that we are paying larger salaries than we paid a few years ago. I realize that the Managers of today have many demands upon their time that did not obtain some years ago. You have bulletins to read, questionnaires to answer and a hundred other things to claim your time. You Managers have more to do than ever, though in most cases where volume of business will justify it you are supplied with cashiers who in turn, with proper supervision, can do much of the detail that you would otherwise be called upon to do.

Our Managers today are bigger men than the Managers of yesterday, and our Managers of to-

morrow must be still bigger men than the Managers of today. The older the Manager is in experience, the more easily he should be able to handle the affairs of his store.

The point I want to make is that we are now going through unusual times, times of business depression, and that successfully to cope with times like these takes unusual effort and perseverance. These are times that demand our undivided attention. Everyone of us should be on his job.

Many of our Managers have met this situation—this falling off of business—and have adjusted their affairs satisfactorily. Their business is now on a money-making basis. But some of our Managers have not met the situation.

I know some Managers, and some of you men know these same men, who, in spite of the falling off in business, who, in spite of the need of more enthusiasm in their stores, absent themselves frequently from their stores for parts of days and even for a number of days at a time. It seems to me that this is getting to be a too common practice among some of our Managers.

As I said before, we are going through a period of business depression. We are in the midst of a period *when the best a man has is not enough*. I realize that we must have a rest now and then. Every man needs a certain amount of rest. I think a vacation should be a part of our annual program. But when we take a vacation, let us go away and recreate; and when we come back, let us go to work and stay on the job.

Managers, yours is a great responsibility. You should take your job seriously. It is up to you not just to push this business ahead, but to get up in front and pull. If you take your job lightly and can always find time to get away for this reason and that, then just as surely as we are living men, your lack of self-discipline will show itself in the lack of discipline of your store force.

I have noted, in looking over some of the sales reports of the stores, that there are some Managers who sell little or no merchandise. I also notice, in cases where the Manager sells little or nothing, that his first man usually sells very much less than others in the store. I claim that a Manager, no matter what the volume of his business, should sell some merchandise, and I also claim that the first man should be mighty close to the top of the list of salespeople. I realize that a Manager cannot always top the list, although we have some who do it occasionally. But I claim that a man cannot buy intelligently for the needs and requirements of his patrons, unless he is down on the floor meeting his trade and selling merchandise over the counter. In that way, he learns what his customers want.

Now, men, don't get me wrong. You say: It is easy for Sams to stand up there and tell us how to do it. I tell you again, that every man should sell some merchandise. He should be listed on the sales report and his percentage should be figured the same as others'.

Our game is a game of Come On and not a game of Go On.

I base my contention, when I say that a Manager can and should sell goods, upon the fact that most of the Managers of our bigger stores are doing so. The Manager of our largest store sells about \$2,000 worth of goods a month.

Men, to cut our operating expenses to what they must be, every man must help. A Manager who is developing the other man should delegate some of the managerial duties to him and many of these duties can be attended to outside of regular business hours. By working in this way, the Manager is afforded time to lead his sales-force, to be down on the floor, and to radiate that selling enthusiasm which is indispensable nowadays.

There is only one way to cut operating expenses, and that is to cut them. There is just so much that has to be done and if you reduce your force with which you have to do it, everybody left will have to do a little bit more. Now, don't misunderstand me. I know that most of you men are doing everything that you have power to do, but there are some exceptions to this, and the exceptions are the ones to whom I am talking.

Again I say, we are in the midst of a period when the best a man has is not enough. It is going to take extraordinary effort to keep our business up to its maximum and to maintain our profits where we want them to be. Are we going to do this? Or are we going to watch them slip? It is up to us. Times like these are not times to choose for visiting our neighbors. More than ever I urge you, although some of you do not need this urging, to stay with your job. Live with it; go over every

part of your business carefully and often, as though it needed a doctor; and if it needs medicine, prescribe for it.

Now is the time for us to make things happen. We have got to create something, rather than to follow what has already been done.

I am reminded right now of a little story of a milkman who was preparing his milk on a certain morning for his customers. In order to be sure that his quantity was sufficient, he thought that he would add a little water to each can of milk. So he took a dipper and he went to the spring nearby and got a dipper-full of water which he put into the first can. He went back and got another dipper-full of water and poured it into the other can. He adjusted the tops of his cans and went away. In each dipper of water that he carried from the spring, there was, though he did not know it, a frog. When he poured the first dipper into the first can, one frog went down to the bottom of the milk and came up to the top just as the milkman was adjusting the top of the can. The frog said to itself: I am surely going to perish, I will never get out of this, I am going to die.

The frog in the other can went down to the bottom just as the first frog had gone and also came to the top about the time the milkman was adjusting the top of the can. But he said to himself: My goodness, I have got to keep busy or I am going to die. I have got to get out of here in some way or other.

In the morning the milkman took the top off the first can and everything was quiet. The poor frog had fallen to the bottom and died. He opened the other can and there, right in the middle, was the other frog, sitting on a little lump of butter that he had churned during the night, feeling satisfied that he had created for himself a way out of his predicament.

Gentlemen, we must apply ourselves like frog number two and not play the part of frog number one. These are times, as I said before, when we have got to create a way out of any predicament in which we may find ourselves.

Now, I have reviewed for you the condition of business that has obtained for the last two or three years and I have told you what economic authorities agree is the prevailing business condition today. It would, of course, be beneficial to us all, if we could know definitely in what condition business will be for the next few months or for a year. With that knowledge we could trim our sails and weather safely all storms on the commercial sea. Unfortunately, however, no man can actually see what the future has in store. But experience has taught us to deduce from present conditions the general trend of the future. So we may, by keeping clearly before us the facts of business as they are, anticipate somewhat the conditions into which we are moving.

Statistical organizations assure business men that the period of readjustment will be tedious. They

point out that it is important for us to take advantage of every favorable condition that we can find in business. For the next few months, we shall have to fight our way along, overcoming unfavorable trends by the force of industry, optimism and economy.

What, then, are the conditions or the facts to which we must give our closest attention?



VIII.

Business Cycles

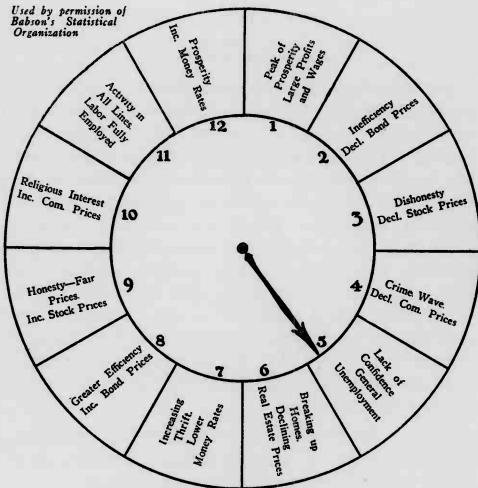
Business runs in cycles and consequently there is periodically a depression, occasionally emphasized by a panic. Panics are always sudden and unexpected. The recent and present depression does not, however, constitute a panic. There can be no panic when everyone is expecting a normal and inevitable reaction. What we are now passing through is the normal and expected business depression, following the long period of prosperity due to the war. We have seen some decline in commodity prices followed, as the economic law specifies, by employment unrest, which is the employees' side of it, and by the slowing up of production which is the employers' way of manifesting the depression period.

Periods of depression, economists tell us again, move in cycles. These cycles succeed one another in the order shown in the diagram on page 36.

1. The cycle of maximum prosperity which constitutes a period of large profits and wages. This period was evident during the war when everyone had an abundance of money which many spent freely and even thoughtlessly.

2. The habits contracted during the first cycle lead to the characteristic feature of the second cycle which is general inefficiency, for careless spending is the result of careless thinking. This cycle is characterized by declining bond prices due to

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increasing commodity prices. The surplus savings, which ordinarily would be or might be placed in bond investments, are necessary to pay expenses incurred at the high commodity prices. Hence bond investors seek so high a yield for their funds that bond prices are depressed in proportion to commodity prices.

3. Cycle three is the period of declining stock prices and lower commodity prices. These bring

in their wake what economists classify as dishonesty—a tendency to cancel contracts for goods, resulting in business stagnation.

4. This brings in cycle four in which commodity prices further decline, and which is often characterized by an increase in crime. This always follows when people, who have been accustomed to high wages and plenty of money, find themselves denied the luxuries to which they have begun to accustom themselves.

5. In the fifth cycle unemployment is general. Hesitation and fear tend to stop all expansion and materially to lessen production.

6. In the sixth cycle men find it necessary to move from place to place in search of work. This breaks up the home and brings in a period of real estate depression.

Let me stop here and point out that our present business condition seems to lie between cycles five and six but the hopefulness of the situation is that we are moving forward to the seventh cycle, which is the first of a group of conservative cycles.

There lie before us then, as evidences of commercial readjustment, these factors:

1. Lower Money Rates.
2. Increasing Bond Prices.
3. Increasing Stock Prices.
4. Increasing Commodity Prices.
5. Full Labor Employment.
6. Increasing Money Rates.

Accompanying every one of these commercial readjustment factors is its associate moral or Golden Rule factor:

1. Increasing Thrift.
2. Greater Efficiency.
3. Honesty and Fair Prices.
4. Religious Interest or Increased Philanthropic and Beneficent Movements.
5. Broader Social Activities.
6. Normal and Healthy Prosperity.

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IX. Waste

It is not beneath our dignity to adopt the practice of any economy that will contribute its mite to our general well-being. We must never get away from the conviction that waste, even in small things, is a business leak, and that a lot of waste means a lot of business leaks which in turn may sink the ship.

You know it used to be the custom, when I first went to Kemmerer, to save and use again every little piece of wrapping paper, every small piece of twine. There was absolutely no waste permitted. I am wondering if we are practicing such thrift today. It is not so much the value of the things that are saved in this way as it is the discipline and training that you give yourself and your associates in eliminating every possible source of leaks and waste.

We must not waste anything, not even our time. Some of us waste our time in ways that we do not think about—many of us with idle talk.

Men, experience has taught me that a successful man has two simple but important characteristics: One is Vision which shows him the goal and the way; the other is the homely practice of faithfully and thoroughly doing the job in hand.

There will come to every one of us the gossiping message of Rumor. It is forever in the air. It tricks us into the habits of forming, perhaps un-

consciously, impressions of other men, and worse than that, of acting upon these impressions. I thoroughly believe that at heart all men are honest. I believe that the average man whom we meet in daily intercourse would rather act honestly than otherwise. But we all make mistakes if we make anything, and we would best assume a man's honesty when he does make a mistake and tell *him* about it, rather than the *other* fellow.

It is, moreover, a good rule if a man does well to tell him of that, in appreciation. Tell the other man also, for all three people will feel the influence of the boost and the praise. Such a practice stimulates and strengthens confidence among men and so in turn strengthens our Organization.

Here, I believe, we find the essential factor of our business conduct: To help one another in such a way that not only we individually are helped but our Organization benefits at the same time.

Much is being said by writers these days about business ethics, about our way of living outside of business for proper atmosphere in business. I believe that a real man lives one life, not two lives. And in conjunction with what I have said above concerning the harm of trusting Rumor, and concerning the benefits of bestowing praise freely, let me add that I think the *whole* man must go into business and business must receive from him all that he has to give. When a man withholds any part of himself (his ethics, morals, religion, industry, confidence, judgment) from his business,

his business suffers in just the proportion that he fails to apply these factors.

Therefore, I urge a high standard of life and living for home, community and business, not merely because this is a benefit to business itself, but because it is also a benefit to the man who, later in life, must necessarily look back on his career and ask himself if what he has done has been worthwhile. Men, for two good reasons, I want to urge upon you worth while living. It gets the most out of and puts the most into every day's work, and it creates a type of life which will give you joy as you retrospect it in later days.



X.

Economy of Overhead

I am going to make some pretty broad assertions and I ask that you follow me closely.

No man operates a business with complete success who has not learned to conduct his individual expenses with wise economy. Therefore, when a man enters our employ, he should begin, if he has not already done so, to exercise watchful care over his personal finances. The home allows a man one of the best training grounds for the practice of business principles. Here he may study the budget system, distribution of income, control of expenditure, overhead, up-keep of property, insurance, the building of surplus. In fact, most of the fundamental problems of business are found in the home and may be practised and mastered there.

This mastery of home economics is a splendid introduction to business economics. No man is prepared to manage one of our stores until he has learned to get the utmost value for every dollar of his expenditure, to live within his means, to save systematically—in short, to make a true business distribution of his resources. And with increase of income, there should never be a like increase of expenditure but necessarily there should be a greater increase of savings.

The practice of keeping close scrutiny over personal and domestic expense is the best preparation a man can have for the economic conduct of business. After all, is it not true that business economy is, in a sense, personal economy amplified? In both

applications of economic efficiency a man must spend less than he earns, to waste nothing, get the greatest value out of everything, buy wisely, use and not abuse physical properties, and build a surplus as a means of power for future opportunity.

It is surprising to what a wide extent the simple virtues of economic living apply in business. I cannot but recall to you the homely economy and saving as practised by the early settlers of our country. They found it worth while to set aside even such small sums as twenty-five or fifty dollars a year, and with these to lay the foundation of family betterment. That means improvement of living conditions, the building of a home, the establishment of a fund for the education of sons and daughters. Too many men in the scramble for wealth are poor judges of values.

To handle a business wisely, then, a man should know into what values to translate money. He ought to know what money means in terms of domestic and business operations and equipment. When a man has learned how to manage his private affairs and is careful and studious to improve and govern wisely his personal spending, he may gradually be trusted to handle the funds of the business he represents.

But there is another phase of the money question that I must not fail to bring to your attention. It is this: In our business we regard money as a by-product. Now don't misunderstand me—we are in business to make money; we would not continue a store unless it was a profit maker. But money is not, and never can be, the one principal object of

our business. We place the greatest stress and give the foremost place to the training of men and the giving of service. This you see is the business insurance of producing producers. Once a business is wise enough to do that, the financial income is assured. This makes clear what the essential duty of the Manager is: He becomes a Manager not alone because he gives evidence that we can trust him to conduct the affairs of one of our stores but beyond that, because he has proved to us that he can build another man to take his place. He must train that man in every essential of this business and make that man in turn a capable teacher of another man. This is the true J. C. Penney Company endless chain—the training of men down the line which makes every new man as capable as his trainer in the ability to handle the business and to become the teacher of the men beside him.

This should make it plain to you why I say that money is not the prime factor. Once you grasp the significance of the highly developed executive capable of training the man beside him, you will comprehend the relative places of man and money in our enterprise.

I am going to say something to you about your conduct as individuals. I am going to be very frank, because I believe we should be frank with one another for thus it is that we arrive the sooner at an understanding.

Gentlemen, I have not come here with the intention of preaching to you. I am sure I do not even need to disclaim any such intention. But I want every word of this message to reach you, to

reach every one of you individually. Furthermore, I do not want you to receive it as a message for the other man but as the most pertinent of all messages for yourselves.

In our Organization there has developed, to a greater or less degree, a tendency toward careless methods of individual finances. In many instances, I think, this careless financing expresses itself in extravagant ways of individual and family living. I deplore this because, as I have already said to you, no man becomes a business success who is not already familiar with economic practices learned from and applied to the family budget. Let me quote you a few words of Charles Schwab:

The supreme virtue of the existing situation is that it is necessary for all business men in America, in fact for every individual in America, to examine thoroughly his cost of doing business and his cost of living. The result of it all is to force business and to force individuals to start to economize and to save.

Men, are you doing this? Are you economizing? Are you saving? Are you building that reasonable but necessary surplus for the future? As I have told you, business has its cycle of lean and fat years, now as truly as in the Old Testament days.

No one can afford to go on blindly, exercising the habits that were formed during the Happy-Go-Lucky days of a year or so ago. The good old easy times of 1919 are gone forever. No man here will ever again experience them, for they do not

come twice in a generation. Often several generations pass and never know them at all.

There will come, of course, greater business volume; this increase in volume will be accompanied by intense competition. We shall have less and less of the usual "waiting on the customer," and more and more necessity for keen service, for constructive, suggestive, creative selling. Competition from now on is either going to build a man into a finer and more skillful salesman or is going to thrust him aside.

These present conditions lead me to say to you something that you must take just as much for yourselves as your own case makes necessary. I am not talking about individuals but about the methods which individuals adopt, often unconsciously, in good times and to which they cling when times are more strenuous. Here is what I allude to: Automobiles are a fine possession; long fishing trips in the country are a fine form of entertainment; fine houses with elaborate equipment and servants like those of Mr. Jones and Mr. Smith are wonderfully impressive to poorer neighbors; diamond rings and tailor-made clothes are fine; and so, too, are silk shirts and ten dollar hats.

BUT:

Can we really afford these things?

If we have formed a habit of spending for such things, must we therefore keep it up?

Must we be so foolish as to make our demands so great that they require not only our current income but the anticipation of future profits?

Any man who spends in excess of his income and borrows from his future is, in no sense, a wise man and in many senses a foolish man.

I am saying to that man now, if he is sitting here:

Wake up. Be sane enough and brave enough to look your affairs straight in the face. Square your needs with what you have, and manage to have a little margin over current income at the end of the month.

There is just one end for the man who habitually overspends. Maybe you know him? His end can no more be avoided than can death be avoided by the man whose boat drifts nearer and nearer Niagara.

1. Get acquainted with the homely virtues.
2. Whatever your income is, live within it.
3. Don't be ashamed if your surplus over expenses is small.
4. Have a definite goal for the future of your financial operations.
5. It is impossible for the big salaried man to be rich, if he spends more than he earns.
6. It is impossible for the small salaried man to be poor, if he spends less than he earns.

These simple truths about money have been stated time and time again. They are just as true today for you and for me, as they ever were; and more than that, they are indispensable.

XI. Community Study

I want to call your attention to a factor which must continue to play a large part in the conducting of our individual stores. I refer to the intensive scientific study of the purchasing capacity of the towns in which our stores are located. It is of no particular benefit to us to open a group of new stores, if we are securing from the communities in which our present stores are located less than the fair proportion of business that should be ours. I particularly urge upon you to devote careful and scientific thought to the study of your towns. Every Manager should know the total payroll of his community. This should include the town itself and its adjacent purchasing territory. He should know, as closely as possible, the proportion of the town's money that is spent in our kind of stores. He should determine from this total the proportion that should necessarily fall to us; and then he should go after a good share of the balance, as it is right and fair for him to do because he offers his community unusual values, quality and service.

I regard this analysis of the community as of highest importance, for it means on the Manager's part close observation, accurate study and careful planning to bring to the store an increasing proportion of the total possible business in our line. I earnestly urge this study upon our Managers. A Manager must necessarily study his trade. He must know the kinds of customers that come to his store, the nature of their wants, the scope of their buying. Without this intimate knowledge, he

cannot buy intelligently. In short, the Manager must know how to distinguish between what he alone can do for the up-building of his store and what he can hire done; if he himself never does anything but what he can hire another man to do, he is failing in the essential qualifications of a Manager.

It will pay you Managers constantly to study the territory in which our stores are located and to create ways and means of interesting the entire purchasing public in what you offer. Here is a campaign of education upon which the Manager can afford to spend some time. It means bringing before the public all salient facts regarding the Company—its Golden Rule policy toward the customer, its quality of goods, its enormous purchasing power, its purchasing advantages over competitors, and its consequent favorable prices. An active campaign on a Manager's part, constantly pursued, will increase his proportion of the total business of the town and will repay many fold his time spent in constructive study.

XII.

Maximum Returns to the Store from the Town

What I have just said indicates how to bring to the store the maximum return from the public.

There is a vast difference between giving good service to the customers who voluntarily enter our stores and, on the other hand, working out policies *that induce more and more customers to enter our stores*. I need not tell you, in detail, what to do in all of our 313 towns to bring this about, for I have already sketched in a general way the lines of activity necessary for you to investigate and operate. In view of our large buying power, our financial standing, the unparalleled work of our buying department, the quality of goods we handle and the service we render to the public, there is every reason why our Managers can spend time profitably in spreading the facts as propaganda in their territory. The result will be an increasing number of permanent customers who will give us their continued patronage.

Make it a part of your advertising campaign to tell tactfully the salient facts of our business in such a way that customers believe it to be to their best interest to buy from us. This means that you convince them of our superiority of service, reliability of merchandise, fairness and economy of price, unfailing courtesy and helpfulness in purchasing. Aim to increase the number of people who visit our stores; improve the service you give; or, finally, take all steps to the end that we shall increase constantly the number of our *satisfied and permanent patrons*.

XIII.

The Manager's Need of Education

Our Company has, at great expense, established an Educational Department. The purpose of this department is, primarily, to offer every associate in our Company systematic business training in Salesmanship, Merchandise, Nature and Manufacture of Raw Materials, and Merchandising. It is our desire that nothing be left undone that can make our working force a body of highly qualified, superior and capable men. We look to our Managers to make the most of this educational work for it is part of our plan, later on, to add to our present Business Training Course another series of Lessons for Managers alone. We are planning to do this, because we know that ultimately it rests with the Manager to train and develop the working force he gathers about him.

While the Lessons prepared by the Educational Department bring before the associates of the Company the fundamentals of business, it must be remembered that we must depend upon our Managers to speak the personal and authoritative word, to give the personal lift, to lend the helpful hand wherever necessary.

The Manager must be the leader both in knowledge and experience. For that reason, we deem it necessary that he should be provided with special business material which will analyze and lay clearly before him his particular and peculiar problems.

We must leave it to the Manager to detect the more highly qualified among his force, and to

observe who has the proper initiative, the skill and talent that will grow into salesmanship power. We look to our Managers to develop these better types of salesmen in accordance with their talent and to carry them forward, thoroughly prepared for positions of responsibility, as the Managers themselves were once carried forward. You see, therefore, that our Business Training Course plows the ground, and, in a measure, shows us how to cultivate it; but it is the Manager's duty to plant the ground and to make the most of those sturdy growths which he finds in the garden.



XIV.

Man Training and Its Purpose

It is a characteristic of our business that no man may succeed in it who does not, at the same time, win success for others. It is a wise provision that our Managers must train their successors. In the beginning of our business, the personal training of men by the Founder and the first Managers was intensive. We were a small Company. We were compact. We were direct in our operations. We did in those days substantially the same kind of business we are doing today, but the work we did in our first stores was intensive. Every Manager gave to every man under him the freest, most complete and most severe training in the essentials of merchandising. We learned at first hand exactly how to carry out every phase of the business, because we worked hand in hand, every man making the WHOLE business his personal inspiration.

There has been expressed of late the fear that, with the growth of the Organization and the consequent increases in the number of stores, there may eventually be a weakening in our proper grasp of the original body of doctrine. It has been pointed out that the first Managers trained their men more directly, intensively, forcefully and completely, than Managers are training their men today. I think this need not be so. There is no reason why the original body of doctrine should not be passed on just as purposefully today as it was passed from the Mother Store nineteen years ago. But I will go so far as to say to you that, in the early days,

every Manager (and in fact every man connected with our business) studied the fundamental principles of the business in such a complete and intensive way that he mastered every problem that came before him. We knew in the early days that our future depended on us. There was no one to do our work for us; we simply had to succeed. And I pass this on to you as being just as true for you now as it was for us then. Your future depends upon your own efforts; you must work out your problems and master them; and, according to your efforts, you must look for success. No one can do this for you.

Now about the reward for all this intensive work on your part. I am convinced that our method of training men and of doing business comes as near as is humanly possible to a fair equitable distribution of financial profits. The conditions surrounding any one man must necessarily be different from those surrounding any other human being. The consequence is that no man can allow himself to look upon another man's domain and to be inspired by covetousness or jealousy. The main fact for every one of us to cling to is this: Every one of us must stay on his job. The other man's job is the other man's responsibility. Our job is our responsibility. Once a man gets the justice of this fact fixed in his mind, he will begin to find pleasure and delight in his work. He will understand that the desire to retire is illogical, for he will be convinced that no morning is so full of joy as that one, when a man can say to himself:

Well, I must be my fittest today for I have a man's work to do. I am eager to get at it and I am

going to find happiness in every task to which I put my hands.

Compare this man and the joy of his active life with him who arises in the morning and asks himself:

How can I put in the day? How can I kill time until bedtime again?

This, to my mind, is the most pitiful type of citizen—the man with nothing to do—who every morning wonders how he will murder God's most precious gift to man, namely, "the golden hours of the day."

Therefore, friends, let us have faith in this great Organization, in its aims, purposes and service. Let us have faith in one another and believe that no day is so happy, no day so well spent, as that in which a man exercises his thought and his strength in building something for public good and public service.

As to our future—if we are able to carry forward this business at its present rate of development and to win the increased growth that it is fair to expect, we must realize that much more will be demanded of us in the years to come than was ever demanded before. While the Directors of this Company will at all times faithfully engage themselves in shaping constructive policies for our continued development, they depend upon the Managers entirely to see to it that these policies are put into operation; for it is only by applying (in the actual daily transactions in our store) our constructive policies that they come to their fruition.

It is true that we have an exceptional Organization, that our buying power is great and that our advantages in the market are many; but I want to counsel you and to warn you to be ever on the lookout for increasing competition. As we go into the future, competition is bound to be more and more keen. The past does not promise that the path ahead is to be easy and rosy. Because that is true, we need men of brains who can think clearly, who can see ahead, who can meet situations and emergencies such as we have never before experienced.

Managers, are you doing everything in your power to train the big men we must have? Are you doing all that you know how to do to fit yourselves to be the men who can be trusted to enlarge and protect this business?

As I look into the future and perceive the demand that will be made upon us by our developing business, I am impressed with the fact that men of the average type will not be big enough to carry the burdens that are coming to us. Men, if you stop growing, if you cannot increase yourselves mentally by study and wise counsel, if you must get soft and flabby because you are receiving a fair income for your participation in our business, you are soon going to be found wanting in skill and judgment to carry this great enterprise into the future.

I cannot impress upon you too seriously the reality of this picture. The untrained man of today is unfit for the responsibilities of tomorrow. And, as someone has said: The half-trained man

is even a greater tragedy than the untrained. I see no way of our keeping abreast of our growing demands save to hold ever before ourselves the simple practices of the Founder of this business and of other successful enterprises. The simple facts are these:

A man must work his environment to the advantage of himself and of his business operations.

He must remain true, fair and just in all he does.

He must be a maker and developer of men, the rarest factor in every big corporation today.

You Managers must pass on to the men who are working with you the simple and homely virtues that have ever been operative in successful enterprises.

Among other things, you Managers must pass on to our newer men the significant fact which expresses the difference between our business and practically every other of like size. That fact is that we do not dictate to our men but, by placing responsibility upon them, we allow them to develop.

This brings to light another fact, namely, that we judge a Manager not alone by the business he produces but by the men he produces. We value him as he gives evidence of power to judge wisely, whether his judgment be exercised upon merchandise, upon men or upon business development.

Sometimes it happens in our stores that a new man comes in who has had considerable experience. Usually his business experience, though

good enough in itself, is not of a kind that can establish a policy for our stores. Such a man may be a good salesman, he may have the ability to sell his idea of business to his own Manager, he may even be strong enough to tempt the Manager to desert the policy that he has learned from us and to take up the policies of the man he has just hired.

Let me warn you against this situation.

The policies of our business have been forged on the strong anvil of experience. They have been wisely welded. We have given them nearly twenty years of the most careful consideration and close scrutiny. We know that they tend in the right direction. We know that they cannot be overthrown in a moment by the point of view of a new man.

Therefore, Managers, be strong defenders of the faith; keep pure the body of doctrine you have learned; and by wise counsel, kindly help and constant examples, show your new men that our policies have been carefully thought out.



XV.

Conclusion

I have every confidence in the world that you will take all that I have said as an open and frank expression about matters that merit our mutual interest. I have talked to you not about things that concern me personally, nor that concern the Directors of this Company, but about things that concern us all. Therefore, you must receive all I have said to you not as indicating, on my part, any lack of confidence in you but as the very sign and symbol of my confidence. Sometimes our men, particularly new men, get a wrong idea of what constitutes our Organization. Boys, let me tell you a very simple fact. The J. C. Penney Company is *all of us*, not *some* of us. Therefore, when I talk to you about opening stores, operating them economically, cutting overhead, training men and the like, I am talking to you for our mutual benefit and I am not standing apart to criticise you.

Our interests must necessarily be and remain mutual. And by our interests I mean our attitude toward our work and toward the men who come to us to be educated and trained in our method of doing business.

It is just as true today, as it has been ever since our Organization was formed, that every dollar of our gross income must be earned by hard work. It is just as necessary today, as it was at first, that we increase the number of dollars by personally selling to the customer our splendid service possibilities, just as we sold them in the beginning.

Nothing can take the place of the spoken word between salesman and customer. This is the best possible form of advertising. Nothing can ever take the place of the long industrious hours spent in developing our business. It was a pleasure for me to read some days ago that John Wanamaker began the celebration of his eighty-third birthday by punching the time-clock in his Philadelphia store at 8:05 a. m., and apologizing for being late five minutes.

But earnest as I feel about all of these things and persuaded as I am that there is much of our garden still uncultivated, yet I must say to you that I look upon our development thus far in our history with pleasure and satisfaction.

You men are, in intention and action, to be commended for the fine work you are doing. I know that you are earnest, industrious and desirous of increasing business. I know that your minds and hearts are right. I know that not one of you fails, so far as in him lies, to do the best that can be done in any situation. But, men, here is a word of warning:

A man cannot continue to work into the future with what he knows today. He must constantly study himself, his men, his business. He must study this Organization, its history, development, present condition and possible future. He must not let a day go by without doing something to increase his power over what it was the day before. There are better ways of doing everything than the ways we know, for the simple reason that the best way to do anything has not yet been found. Let us

keep on working, studying and investigating to find these better ways. We shall discover that our present garden will yield us a far larger crop than we are gathering as yet and, at the same time, we shall learn how better to handle any new gardens we may start.

Back of the Golden Rule is the personal obligation of everyone of us to build character, for character will carry a man through good times and bad times, over easy places and hard places. Character builds a man solidly into the best there is in his community. Character is the greatest training force that you Managers can employ to develop a new man. Remember that the men who come to you for training will reflect you. Let them reflect a big, earnest, capable and characterful model.

You can do all these things, for the possibility of them all lies in you. We have none of us reached the limit. A broad highway stretches before us along which we may travel, carrying our business into new places, extending our unusual service possibilities, enlarging our great family of patrons, to everyone of whom it should be our constant care to impart the nature and extent of the service we can render.

1. I can see in my imagination everyone of us *fully* active, not *partially* active, in the great round of our duties.

2. I can see us all interested in the success of this Organization, making its development our aim and purpose, our one real interest in life, knowing that the success of all will take care of the well-being of the individual.

3. I can see our chain stretching its length across our country, establishing itself as a service-giver to an ever increasing number of people.

4. I can see our Organization growing broadly, deeply and solidly, bringing into its fold more and more men to aid in the carrying out of the immense service program that our growth involves.

5. I can see you Managers multiplied to the thousand mark and beyond, a veritable army of able men, capable of conducting this great business in safety through the lean and the fat years that are to come.

6. I can see the army of Managers developing themselves through experience, persisting in the pursuit of that education which enlarges men and thus makes them the able and capable trainers of the ever increasing number of men who are destined to come to us as part of the working force of this expanding Organization.

7. I can see us all so increasing our faith in the ultimate high purpose of our Organization that we become more and more unselfish in our relations to it, more and more thoughtful and generous in our relations to one another, more and more inspired by the fact, (for it is the fundamental fact of our Organization) that it is only in the growth of the Organization as a whole that the individual finds his well being and reward.

8. I can see all this as the beckoning goal that draws us onward by its promises. But let us remember that we reach no distant goal, except by setting out from the place where we are. We must

go thence to the place we want to reach. The great vision of the future must be realized in the actual accomplishment of today and tomorrow.

Let me quote you some lines that, to my mind, convey the relation of vision and of the day's work. You will not fail to note that their meaning is that we shall reach what we want to be by the solicitude with which we accomplish what falls to our hands to do every hour of our lives:

We will do so much in the days to come.

But what have we done today?

We will give our gold in a princely sum.

But what did we give today?

We will lift the heart and dry the tear,

We will plant a hope in the place of fear,

We will speak the words of love and cheer.

But what did we speak today?

We will reap such joys in the bye and bye.

But what have we sown today?

We will build us mansions in the skies.

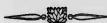
But what did we build today?

'Tis sweet in idle dreams to bask;

But here and now, do we do our task.

That is the thing our soul must ask:

What have we done today?





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